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C O N F I D E N T I A L SECTION 01 OF 03 DILI 000281

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USUN FOR RICHARD MCCURRY
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TAGS: [PGOV](#) [KDEM](#) [ASEC](#) [TT](#)
SUBJECT: BITTER POLITICAL DIVISION WILL LIKELY HAMPER NEW GOVERNMENT

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REASON: 1.4 (b), (d)

¶1. (C) Summary: President Jose Ramos-Horta on Wednesday, August 8 formally swore in the new government formed by the Alliance with a Parliamentary Majority (AMP), with former President Xanana Gusmao stepping into the role of Prime Minister. With a new government in place, the country may be able to begin addressing pressing policy issues. However the divisive environment from which this government emerged will result in serious challenges. First, it appears that FRETILIN will make things as difficult as possible. In the short term, many FRETILIN supporters have responded violently in Dili and Baucau to the news of the new government. Additionally, party leadership have so far strongly indicated their intention to play an obstructionist role, repeatedly rejecting the new government as unconstitutional and continuing a FRETILIN boycott of Parliament. Second, the Alliance likewise does not appear to be focused on ensuring a constructive role for FRETILIN. The total absence of FRETILIN from ministerial positions in the new government arguably means the loss of significant technocratic skills and experience and will certainly complicate the practicalities of transition. All of this will likely make movement on key issues difficult and contribute to a continued cycle of division and instability. Post is continuing in all fora to emphasize the importance of refraining from violence, encouraging greater efforts on both sides to work together, and reviewing how we can assist in key policy areas. End summary.

¶2. (U) President Jose Ramos-Horta on Wednesday, August 8 formally swore in the new government, with former President Xanana Gusmao stepping into the role of Prime Minister of a government formed by the Alliance with a Parliamentary Majority (AMP), comprising four parties who collectively hold 37 of the 65 seats in Parliament. The decision followed weeks of deliberation and power struggle between AMP and the outgoing ruling party FRETILIN, which continues to assert that as the largest single party with 21 seats in Parliament it is unconstitutional to exclude it from government. Although he pushed hard to form a government that included FRETILIN, Ramos-Horta was convinced to call on AMP after they held to their position to form a government without FRETILIN and demonstrated their parliamentary unity and strength. AMP

candidates were elected to all leadership positions in Parliament with votes of 41 to 24 and 40 to 25 respectively during the first two days the new Parliament convened, July 30 and 31. The new AMP government includes no members of FRETILIN aside from the internal opposition faction FRETILIN Mudansa, whom the current party leadership wholly rejects. Mudansa's leader, Jose Luis Guterres, is the new Deputy Prime Minister. The new ministers are a mix of representatives of the AMP membership as well as some independents. Details of the new government's structure and personalities will be conveyed septel.

13. (C) Ramos-Horta's August 6 announcement that the Alliance would be asked to form the government was immediately accompanied by an increase in security incidents in Dili and significant problems in the eastern city of Baucau in which multiple buildings were burned and many Alliance supporters fled their homes and went into hiding. FRETILIN party leadership insists that they are not involved with orchestrating the violence, describing it instead as the natural expression of frustration of democratic yearnings. They state that they are trying to calm their supporters and issued a press release the afternoon of August 8 alleging media bias against the party in reports of FRETILIN youth attacks. However, many observers regard this stance as lacking credibility. FRETILIN has throughout the last few weeks carried out ongoing mobilization meetings with its supporters, particularly in the East, and held out the veiled threat that it "could not control" their reaction if FRETILIN were excluded from government. The head of UNMIT's political section told Poloff on August 8 that FRETILIN's plausible deniability regarding their culpability in the violence "ran out about 24 hours ago". He described reports from his staff in Baucau, noting that the August 6 and 7 attacks were carried out by multiple groups of 30-40 youth, who first gathered and were addressed by local FRETILIN leadership. (UNMIT today issued a statement condemning the violence perpetrated by FRETILIN supporters, sent by email to EAP/MTS.)

14. (C) Beyond this immediate disruption, generally expected to be a short-term problem, FRETILIN appears prepared to play an obstructionist role as the new government starts its work. The

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party's leadership has come out strongly to assert that the new government is unconstitutional and illegitimate. The party's secretary general, Mari Alkatiri, announced earlier in the week

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that they will challenge the President's decision in the courts.

However, Aniceto Guterres, who was the party's candidate for President of Parliament, on August 8 told Poloff that the party is still considering its options but is unlikely to launch a legal challenge. Rather, he said, they will continue to "mark their opposition" while focusing on internal consolidation of the party over the next two or three years, with an eye toward possibly unseating the AMP government in 2009 (halfway through its 5 year mandate). In an address broadcasted this morning, FRETILIN Secretary General Mari Alkatiri reiterated that they regard the government as illegal, stating that they will "never, ever" work with it. No FRETILIN members, aside from the Mudansa group, were present at the August 8 swearing in and party sources report that this was a party-wide decision. Following the election of parliamentary leadership in which their slate was soundly defeated, all FRETILIN's MPs walked out of the plenary and have not returned. Guterres described this as a temporary "suspension" period, to last no more than one month, during which they will focus on talking to their supporters, both to explain the recent developments and to consult on what they should do when they return to Parliament.

15. (SBU) In an August 6 announcement to the diplomatic corps, Ramos-Horta emphasized his desire to find ways to include FRETILIN and to balance out the fact that it is now completely absent both from the leadership of the Parliament and from the cabinet. He said that he will try to choose FRETILIN candidates for non-cabinet, presidential appointments (e.g. Prosecutor General, head of Court of Appeals). In addition, he announced

that a new formal position of "leader of the opposition" in parliament will be created, with the protocol status of third in the national leadership after the President of Parliament and Prime Minister. (Lasama told the Ambassador last week that one of his first acts as President of Parliament would be to dedicate a car to this position and today said he continues to want to coordinate with FRETILIN on the substance of the position but is repeatedly rebuffed.) Given FRETILIN's current stance it is uncertain whether such measures can coax them into playing a more constructive role.

16. (C) AMP sources have cited efforts they have made to reach out to FRETILIN. For example, Lasama told the Ambassador that he urged FRETILIN and AMP to present blended slates of candidates for the parliamentary executive positions on July 31, but that FRETILIN refused to do so. However, Guterres characterized Lasama's request for blended candidate lists for parliamentary leadership as window dressing, saying that AMP had its list prepared already and no efforts were made to discuss compromises in advance of the session. In addition both AMP and FRETILIN sources have confirmed that AMP asked at least one FRETILIN MP to fill a ministerial position in the new government, but he refused. This appears to have been a very limited effort on AMP's part. Many international and Timorese observers are concerned that the Alliance is not genuinely working to ensure a constructive role for FRETILIN and our concerned that this will further provoke FRETILIN's rejectionist response. Ramos-Horta characterized AMP's behavior on July 31 as childish.

17. (SBU) Comment: In this context, the AMP government faces significant policy challenges and a probably limited window in which to start showing progress. Prime Minister Gusmao outlined an ambitious inaugural agenda today, including the passage of a new budget as the state is currently running on its equivalent of a continuing resolution. Over the longer term key, difficult issues that will test the new government include resolving the seemingly intractable internally displaced persons (IDP) problem, security sector reform, justice sector reform, and getting economic development, which has stagnated since the 2006 crisis, back on track. The total absence of FRETILIN from the new government arguably means the loss of significant technocratic skills and governance experience and will certainly complicate the practicalities of transition. All of this will likely make movement on key issues difficult and could contribute to a continued cycle of division and instability. Post is continuing in all fora to emphasize the importance of refraining from violence. In addition, we are stressing to

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FRETILIN the importance of responsible opposition and encouraging AMP to look for ways to ensure that FRETILIN as the largest party in parliament is able to have a constructive role.

As the new government gets in place we will coordinate with international partners to focus on how we can assist in key policy areas. End comment.

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